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SUBJECT: SOUTH AFRICA ECONOMIC NEWS WEEKLY NEWSLETTER OCOTOBER 5,
2007 ISSUE

11. (U) Summary. This is Volume 7, issue 40 of U.S. Embassy Pretoria's South Africa Economic News weekly newsletter.

Topics of this week's newsletter are:

- Trade Deficit Disappoints Market
- Internet Costs Stifle SAG Open Source Policy
- Car Sales Decline Again
- Critic Claims Climate Consciousness Dims at Energy Summit
- Biofuel Won't Burn Food Prices
- SARB Transparent Despite Personal Cost
- Completing the Supply Chain
- AngloGold Still Optimistic About Fatality-Free Deep-Level Mining

End Summary.

Trade Deficit Disappoints Market

12. (U) South Africa's trade deficit in August totaled R9.1 billion, barely changed from last month and well above forecasts. The trade gap suggests the current account deficit could widen further, putting additional pressure on the rand. Exports rose .8% while imports increased .1% compared with July. The cumulative deficit for the calendar year is R50.1 billion, a significant increase over the R41.6 billion deficit for the same period last year. With the strength of the rand eroding the appeal of exports and an infrastructure plan boosting the need for imports of machinery and equipment, South Africa's international trade position "is still very weak," according to Efficient Research Economist Nico Kelder. (Business Day, October 1, 2007)

Internet Costs Stifle SAG Open Source Policy

13. (U) High cost of internet access is stifling South Africa's software development industry and thwarting the SAG's open source procurement policy and commitment to use locally developed software. According to Linda McDonald, an analyst for Frost and Sullivan, the SAG's plan to save million of rands yearly by cutting out annual software license fees, boost local skills and create more jobs as developers are hired to modify open source software to suit the government's needs, is a false hope unless the cost of Internet access drops. Unless developers can spend numerous hours in online discussions at an affordable rate, they will not be able to create the necessary programs for the SAG's software. (Business Day, September 25, 2007)

Car Sales Decline Again

14. (U) New vehicle sales continued their decline, plunging in August by 13% compared with August 2006. This is the biggest fall in nearly five years and marks the sixth monthly decline in a row. Annual sales year-to-date are down by 3.2%. In the year to last month, sales for passenger cars and commercial vehicles plunged 14.1% and 11%, respectively. Heavy commercial vehicles increased, reflecting heavy public and private sector spending on infrastructure. Standard Bank Economist Danelee van Dyk estimated that South Africa will experience a 5-7% fall in the whole market this year. Higher interest rates, stricter lending criteria and strikes in the motor industry have added to the pressures on demand. (Business Day, October 2, 2007)

Critic Claims Climate Consciousness Dims at Energy Summit

15. (U) Johannesburg Earthlife Africa Sustainable Energy and Climate Change Project Coordinator Richard Worthington offered a contrarian view of the September 25-26 Energy Summit in a Business Day editorial on October 3. The Energy Summit was organized by the SAG Department of Energy to engage stake-holders in a reassessment of the 1998 national energy policy white paper. Worthington criticized the energy summit for being too focused on security of energy supply and set on a significant expansion of coal and nuclear power, including an emphasis on coal-to-liquid technology (with significant carbon emissions) and "new-fangled and unproven" Pebble Bed Modular Reactor technology. Worthington lamented that the SAG has failed to implement the commitment in the 1998 energy policy "to ensure that an equitable level of national resources is invested in renewable energy technologies" - as reiterated in the Department of Energy

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paper released at the Summit. Worthington concluded his editorial by criticizing the linkage between minerals and energy. (Business Day, October 3, 2007)

Biofuel Won't Burn Food Prices

16. (U) Department of Energy Chief Director of Clean Energy Sandile Tyata said South Africa's commitment to biofuel production would not overly burden food prices due to increased demand for corn. He stressed that biofuels would not be a "free-for-all" and there would be guidelines and limitations on what could be done when it was introduced. Tyata was responding to cautionary statements that the biofuel industry would keep food prices high, and questions about the wisdom of using corn and sugar as sources of ethanol as a biofuel additive to gasoline. South African Reserve Bank Governor Tito Mboweni noted the risks to food prices in comments in August. Tyata said the SAG was finalizing its biofuels strategy, so he could not comment on details of the plan. It is expected that 1.2 billion of liters of bioethanol will be produced in South Africa by 2010, according to the President of the SA Biofuels Association Andrew Makenete, who asserted that the introduction of biofuels would be good for the food industry. (Business Report, October 3, 2007)

SARB Transparent Despite Personal Cost

17. (U) South African Reserve Bank (SARB) Governor Tito Mboweni emphasized the need for SARB transparency in a recent speech in Pretoria. He acknowledged, however, that transparency sometimes has a personal cost. "For instance, we publish the governor's compensation package. The first year we did that people complained I earned more than the Finance Minister and the President earned." Publication of the package even sparked a shareholder's revolt in 2003, which led to the replacement of the head of SARB's Remuneration Committee. However, the public outcry was not the worst of Mboweni's worries. "It was particularly a problem for me as a divorcee," he told the audience. "My ex-wife found out how

much I earned and asked for more maintenance." (Pretoria News, October 2, 2007)

Completing the Supply Chain

18. (U) Engineering News previously reported that last year only 9% of the 745 million tons per year of freight transported in South Africa used rail. Some 88% of freight transport takes place on the country's road infrastructure, exacerbating congestion, accidents, and the deterioration of infrastructure. Council for Scientific and Industrial Research (CSIR) supply chain analyst Emma Maspero called for greater coordination of the supply chain, including inter-modal transfer of containers between road and rail and to and from ports. He claimed that more freight carried by rail would generate significant savings to the economy. CSIR is working on a number of initiatives with the Transnet National Ports Authority that address increasing containerization and aim at increased planning and efficiencies. Current infrastructure development includes deepening and widening the entrance channel at the Port of Durban, designing and constructing a new port at Ngqura in the Eastern Cape, and upgrading the container terminal at the Cape Town Port. (Engineering News, October 1, 2007)

AngloGold Still Optimistic About Fatality-Free Deep-Level Mining

19. (U) Africa's leading gold producer AngloGold Ashanti said on Tuesday it believed it was possible to mine at deep levels without suffering fatalities, after four of its workers were killed following seismic events at its Mponeng mine on Friday. COO Neville Nicolau said it was not a solution to close down the shafts that had fatalities, as many people depended on these mines for jobs, a sentiment which was shared by labor representatives. Instead, companies like AngloGold Ashanti needed to work with labor and government to effect a cultural change that led workers to thoroughly understand the reasons for safety, and not just act to appease their supervisors. South Africa has some of the world's

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deepest gold mines, and their owners have repeatedly come under fire from the unions and government for the high fatality rates in these mines. AngloGold Ashanti owned many of these mines and has already suffered 23 fatalities so far this year. (Mining Weekly, October 3, 2007)

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